

# M e m o r a n d u m

To: Panel Members

Date: January 26, 2007

From: Creighton Chan, Manager

Analyst: D. Woodside

Subject: One-Step Agreement for **SEAGATE TECHNOLOGY LLC**

## **CONTRACTOR:**

- Training Project Profile: Retraining: Companies W/Out-Of-State Competition
- Legislative Priorities: Stimulating Exports/Imports  
Moving To A High Performance Workplace  
Promotion Of California's Manufacturing Workforce
- Type of Industry: Manufacturing Computer Disc Drives
- Repeat Contractor: Yes
- Contractor's Full-Time Employees
  - *Worldwide:* 45,477
  - *In California:* 2,149
- ETP Trainees Represented by Union: No
- Name and Local Number of Union Representing ETP Trainees: N/A

## **CONTRACT:**

- Program Costs: \$1,512,000
- Substantial Contribution: \$0
- Total ETP Funding: \$1,512,000
- Total In-kind Contribution: \$2,757,110
  - *Trainee Wages Paid During Training:* \$2,757,110
  - *Other Contributions:* \$0
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Santa Cruz, Santa Clara, and Alameda

## **INTRODUCTION:**

Founded in 1979, Seagate Technology LLC (Seagate) is a global leader in the design, manufacture and marketing of hard computer disc drives, providing products for a wide-range of applications, including enterprise, desktop, mobile computing, and consumer electronics. Seagate sells disc drives primarily to major OEMs and distributors who incorporate those products into computer and storage systems for resale. Seagate reports that over 70 percent of its revenue comes from customers outside of California.

Seagate employs 2,149 Californians at its headquarters in Scotts Valley and manufacturing sites in Fremont, Milpitas, and Sunnyvale. Seagate qualifies for standard ETP funding as a manufacturing company facing out-of-state competition, under Title 22 California Code of Regulations (CCR), Section 4416(b).

Computer disc drives have extended their adoption beyond traditional computing to include hand-held media players, digital video recorders for TV, home networks, gaming consoles, PDAs, and media servers. These new products are fundamentally changing the way people use information. For example, the home personal computer requires more speed, storage capacity, and higher reliability as consumers worldwide store massive volumes of music, photos, movies, computer games and other digital content. In response to customer demand, Seagate has developed perpendicular recording technology (PRT). This technological breakthrough allows a new way of recording data to the disk media, standing data bits vertically rather than horizontally to the disk surface as with traditional longitudinal recording.

The overall objective of the training plan is (1) to re-tool the existing workforce by building new knowledge relative to PRT disc drive manufacturing and new product development (2) increase the automation and uniformity of Seagate's manufacturing processes through a "Factory of the Future" initiative; and (3) implement the Six Sigma quality management program company-wide. Seagate is requesting the Panel's assistance to provide customized classroom/lab and CBT training to 1,400 of its California employees in advanced technology, continuous improvement, business, management, and computer skills. All ETP-funded training is in support of new business initiatives, product development, and recently developed technologies.

## **MEETING ETP GOALS AND OBJECTIVES:**

Seagate proposes training that will further the following ETP goals and objectives:

- 1) Support California's economic growth by stimulating exports.
- 2) Foster job retention in an industry threatened by out-of-state competition.
- 3) Promote retention of high-wage, high- skill jobs such as those provided by Seagate.
- 4) Enhance the skills of technical staff such as software developers, engineers, and programmers whose jobs are threatened by outsourcing.
- 5) Prepare workforce for the challenges of a high performance workforce.

**TRAINING PLAN TABLE:**

Grp/Trainee Type	Types Of Training	No. of Trainees to Retain	No. Class/Lab Videocnf. Hrs.	No. CBT Hrs.	Average Cost Per Trainee	Hourly Wage After 90 Days
Job Number 1 Retraitees	MENU: Advanced Technology, Business, Computer, Continuous Improvement, and Management Skills	1,400	24-200	0-80	\$1,080	\$14.80-\$75.50
Wages After 90-Day Retention						
<u>Occupation</u> Administrative Staff Customer Support Representative Operations Support Staff Sales/Marketing Representative Engineer Operations Manager Technician Software Developer						
<u>Health Benefits Used To Meet ETP Minimum Wage:</u> Although the company pays health insurance benefits for trainees, the hourly contribution is not being used to meet ETP minimum wage requirements.					<u>Turnover Rate</u> 8.5%	<u>% Of Mgrs &amp; Supervisors To Be Trained:</u> 0%
<u>Other Employee Benefits:</u> Employer paid benefits includes paid time-off; vision, dental, and medical insurance; group life term and disability insurance; employee assistance programs including tuition reimbursement, adoption assistance, and retirement accounts; and retirement planning including 401 K and employee stock purchase plans.						

**COMMENTS / ISSUES:**

➤ ***Frontline Workers***

All participants in this project meet the Panel definition of frontline workers under Title 22 CCR, Section 4400(ee) including the 75 operations managers who spend more than half their time managing projects or conducting operations.

➤ ***Production During Training***

The proposed Contractor agrees that during ETP-funded training hours, trainees will not produce products or provide services which will ultimately be sold.

**COMMENTS / ISSUES:** (continued)

➤ ***Advanced Technology Request***

Seagate is requesting the Advanced Technology (AT) hourly reimbursement rate of \$26 to deliver training to engineers, software developers, and technicians to build applications in the company's mission critical software systems including network infrastructure, firewall and security development, related computer program engineering, factory automation and developmental systems software related to disc drive technology. AT courses in disc drive technology include small computer systems interface, advanced attachment packet interface, embedded servo systems, cyclic redundancy, data density and compression troubleshooting, and perpendicular recording technology. According to Seagate Technology staff, AT courses will be taught by a combination of external vendors and highly compensated internal engineers at an estimated cost of over \$3,000 per day of training. The maximum ratio of 10 trainees per instructor will apply to all training funded at the AT rate. Staff recommends that the Panel approve the AT rate for this portion of the curriculum.

**RECOMMENDATION:**

Staff recommends that the Panel approve this proposal and the AT reimbursement rate based on Seagate's commitment to developing new technologies that meet global demand, providing its frontline workers with the most advanced technical and process improvement skills, and supporting training that improves productivity and innovation.

In addition to the Advanced Technology training outlined above, Seagate is requesting the Panel's assistance to deliver between 24–200 classroom/laboratory hours and 0-80 CBT hours in the following areas:

Continuous Improvement: The introduction of perpendicular recording technology increases pressure to improve product design cycles, reduce factory ramp time, and increase factory utilization. Product and process quality must be improved to meet such requirements. Seagate's stated goal in fiscal 2007 will be to build on the success of its continuous improvement program by implementing the next stages of its quality measurement and analysis processes and tools. Seagate intends to utilize this quality data to implement corrective action and to expand its best known methods for engineering and manufacturing. All employees with any line or design function will receive training in continuous improvement skills including Six Sigma tools and techniques, analytical problem-solving, design-level decision making, and relevant internal business process applications training.

Computer Skills: Trainees across occupations must be trained on a variety of software and database systems ranging from advanced desktop applications such as Sun Java, C++, and visual basic applications to Seagate's in-house business computer applications for inventory, account management, and manufacturing control. Training will also cover the implementation of the upgraded Oracle Enterprise Resource Planning (ERP) system for all employees since, in one aspect or another; all workers will use the upgraded ERP system.

Business Skills: Seagate reports that many of its employees currently lack the business skills needed to continue the company's successful introduction of new disc drive technologies. These skills include: how to manage projects, develop new business, reduce costs, and prepare effective oral and written presentations to customers. Worldwide operations, including the complexity of Seagate's new products and business transactions, dictate that on-time delivery

**NARRATIVE:** (continued)

and order accuracy must also be achieved. The proposed business skills training will improve customer service, delivery time, and order accuracy. Product knowledge and marketing techniques training will also be delivered to selected employees to better sell the company's new products to its worldwide customers.

**Management Skills:** Seagate reports that its practice has been to promote exiting employees, primarily technical professionals and engineers, into management positions. Thus, the company needs to provide operations managers with the skills in order to better support and communicate with their staff in a high performance workplace. Training will provide these employees with leadership, team development, coaching, facilitation, and conflict management skills. Seagate will provide basic supervisory training to all new managers outside of the ETP contract at its own cost.

***Commitment to Training***

According to company representatives, ETP funding for the proposed training will not displace Seagate's resources already committed to employee training. The focus of the two most recent ETP contracts at two different Seagate facilities was on the successful implementation of lean manufacturing techniques. The major focus of this training proposal is on Seagate's transformation to the next level of disc drive technology supporting perpendicular recording technology and on the conversion of worker skills to support the change. Further, the proposed customized ETP curriculum will build on, but not overlap, basic instruction and orientation training already provided by Seagate. Seagate will fund all training in OSHA-mandated safety regulations, sexual harassment prevention, new hire orientation, rudimentary job skills, basic desktop application training in Microsoft Word, Excel, and PowerPoint, executive development programs. In addition, training for employees not eligible for training under ETP will be provided by Seagate at its own expense. Seagate's current training budget for California non-ETP related training is \$2,358,939.

After the ETP agreement has ended, Seagate states that it will increase its investment in worker training and continue with efforts to develop and maintain training in continuous improvement, business and leadership skills. The total projected expenditures for future training in the two years following this ETP project are estimated to be in excess of \$3.4 million.

**SUBCONTRACTORS:**

Herrera & Company of Stockton, California, will provide ETP administrative services in connection with this proposal. ETP funds will be used to pay for said services for an amount not to exceed 12 percent of the payment earned. California-based training vendors are to be determined and will be added during the Agreement term.

**THIRD PARTY SERVICES:**

Herrera & Company assisted with the completion of the application documents at no cost to the proposed Contractor.

**PRIOR PROJECTS:**

The following are completed project statistics for ETP Agreements with this Contractor within the last five years:

PRIOR PROJECTS						
Agreement Number	Location (City)	Term	Contract Amount	Amount Earned	Planned In-kind Contribution	Reported In-kind Contribution
ET00-0284	Fremont	06/30/00-06/29/02	\$167,600	\$152,400	*	*
ET03-0177	Milpitas	11/04/02-11/03/04	\$402,792	\$402,792	\$598,920	\$623,156

*\*In-kind data not required when project was developed.*

**Seagate Technology LLC**

MENU CURRICULUM

Class/Lab Hours  
24-200

Trainees will receive any of the following:

**Continuous Improvement Skills:**

Manufacturing quality and reliability  
Design tools and practices  
Process and capability mapping  
Cause and effect analysis  
Quality fundamentals/core skills  
Failure modes and effects analysis  
Process improvement training  
Problem solving tools and techniques  
Six sigma tools and techniques

**Computer Skills:**

Management and manufacturing control systems  
Single-vendor enterprise resources planning  
Microsoft .Net development  
AutoCad applications  
Sun java programming  
C++ programming  
Oracle database development  
Materials and logistics software development

**Business Skills:**

Technical presentations  
Customer communications and awareness  
Communicating across cultures  
Market validation and decision modeling  
Disc drive recording fundamentals  
Sales and negotiation skills  
Product marketing for engineers  
Finance and accounting skills  
Marketing promotion and position

**Management Skills:**

Effective change management skills  
Technology for creating ideas  
Team development  
Keys to technical leadership  
Technical business and finance management  
Effective leadership and teambuilding

**Seagate Technology LLC**

MENU CURRICULUM (continued)

**Advanced Technology (AT):**

Applied tunneling giant magnetoresistive (TGMR) recording  
Automation technology primer  
Business objects analytics  
Noise and adaptive fly control  
Electrical removable shunt  
Recording head manufacturing technology  
Embedded servo systems and cyclic redundancy  
Perpendicular recording technology  
Disc drive software systems engineering  
Network infrastructure, security, and firewall development  
System data modeling and architecture  
Advanced programming development applications

**CBT Hours**  
0-80

**Computer-Based Training (CBT)**

**Continuous Improvement Skills:**

Product quality and reliability (8 hours)  
Design tools and practices (6 hours)  
Design for excellence (6 hours)  
Six sigma (4 hours)  
Failure modes and effects analysis (8 hours)  
Process improvement training (6 hours)  
Problem solving tools and techniques (6 hours)

**Computer Skills:**

Management and manufacturing control systems (6 hours)  
Network infrastructure, security, and firewall development (8)  
Single-vendor enterprise resources planning (8 hours)  
Microsoft .Net development (6 hours)  
Sun java programming (8 hours)  
C++ programming (4 hours)  
Oracle database development (6 hours)  
AutoCad applications (4 hours)  
Materials and logistics software development (6 hours)  
Macromedia web development applications (8)



**Seagate Technology LLC**

MENU CURRICULUM (continued)

**Management Skills:**

Effective change management skills (4 hours)  
Technology for creating ideas (4 hours)  
Keys to technical leadership (3 hours)  
Technical business and finance management (4 hours)

**Business Skills:**

Technical presentations (1)  
Customer communications and awareness (4)  
Communicating across cultures (4)  
Disc drive recording fundamentals (6)  
Product marketing for engineers (4)  
Finance and accounting skills (2)

<p><b><u>Comment:</u></b> The parties agree that the training identified in this Curriculum may be revised from time-to-time during the term of this Agreement at the request of Contractor and with the prior written approval of ETP. (See also Section 12 in this Agreement.)</p>
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